

**ASSEMBLY BILL**

**No. 293**

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**Introduced by Assembly Member Mendoza**

February 13, 2009

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An act to amend Sections 19804, 19805, 19824, 19841, 19846, 19852, 19868, 19880, 19882, 19890, 19892, 19893, 19900, 19912, 19921, 19932, 19941, and 19984 of, to amend the heading of Article 6 (commencing with Section 19890) of Chapter 5 of Division 8 of, and to add Sections 19890.5 and 19966 to, the Business and Professions Code, relating to gambling.

LEGISLATIVE COUNSEL'S DIGEST

AB 293, as introduced, Mendoza. Gambling regulation.

(1) The Gambling Control Act provides for the licensure of certain individuals and establishments involved in various gambling activities, and for the regulation of those activities, by the California Gambling Control Commission. Existing law provides for the enforcement of those activities by the Department of Justice. Any violation of these provisions is punishable as a misdemeanor, as specified.

Existing law provides that no temporary injunction or other provisional order shall issue to restrain, stay, or otherwise interfere with any action by the department or the commission, except as specified, and that no order may be effective for more than 15 calendar days.

This bill instead would provide that, except for preliminary injunctions, no order may be effective for more than 15 calendar days, and no preliminary order may be effective for more than 45 days, except by stipulation of the department or commission.

(2) Existing law authorizes the commission, for any cause deemed reasonable by the commission, to deny any application for a license,

permit, or approval, to limit, condition, or restrict any license, permit, or approval, or to impose any fine upon any person licensed or approved.

This bill would further authorize the commission to condition, restrict, discipline, or take action against the license of an individual owner endorsed on the license certificate of the gambling enterprise whether or not the commission takes action against the license of the gambling enterprise.

(3) Existing law authorizes the commission to adopt regulations for the administration and enforcement of the Gambling Control Act. The regulations adopted by the commission are required to prohibit gambling establishments from cashing checks drawn against any federal, state, or county fund. Existing law requires gambling establishments to send the department copies of all dishonored or uncollectible checks at the end of each quarter.

This bill would require the regulations to prohibit gambling enterprises from cashing checks drawn against any federal, state, or county fund, and would delete the requirement that copies of dishonored or uncollectible checks be sent to the department. The bill also would require the regulations, by December 31, 2010, to provide procedures, criteria, and timelines for the processing and approval of applications for the licensing, temporary or interim licensing, or findings of suitability for receivers, trustees, beneficiaries, executors, administrators, conservators, successors in interest, or security interest holders for a gambling enterprise so that gambling enterprises may operate continuously in cases including, but not limited to, the death, insolvency, foreclosure, receivership, or incapacity of a licensee.

(4) Existing law provides that an owner of a gambling enterprise that is not a natural person shall not be eligible for a state gambling license unless certain persons individually apply for and obtain a state gambling license, except as specified.

This bill would define “gambling enterprise” for purposes of these provisions, and would require that, if the owner is a limited liability company, every officer, manager, member, or owner apply for and obtain a state gambling license as described above. The bill would make other conforming changes.

(5) Existing law requires the department to investigate an applicant for a gambling license. Existing law provides that, if denial of the application, or approval of the license with restrictions or conditions on the license, is recommended, the head of the entity within the department that is responsible for enforcing these provisions shall

prepare and file with the commission his or her written reasons upon which the recommendation is based.

This bill would, in addition, require the head of that entity within the department to file with the commission the reasons for his or her recommendation if he or she recommends approval of the license with restrictions or conditions. The bill also would require the head of that entity to prepare and file with the commission, if a restriction or condition on the license is recommended, his or her written reasons upon which the recommendation is based, including informing the applicant in writing generally of the basis for any proposed recommendation that the application be restricted or conditioned, as specified.

(6) Existing law requires a corporation to comply with specified requirements in order to obtain a gambling license, including a requirement that the corporation register as a corporation with the department and supply specified supplemental information to the department.

This bill would instead require a corporation to supply supplemental forms and information with the initial license application, and thereafter only on request, to the department, as specified.

(7) Existing law requires the owner of any security issued by a corporation that applies for or holds an owner license to immediately offer the security to the issuing corporation for purchase, if at any time the commission denies a license to the individual owner of the security.

This bill would instead require the commission, if at any time it denies a license to, or revokes the license of, an individual owner of any security issued by a corporation that applies for or holds an owner license, to immediately notify the individual and the corporation of that fact. The bill would require the owner of the security to sell the security, as specified.

(8) Existing law requires a limited partnership to comply with specified requirements in order to obtain a gambling license, including a requirement that the limited partnership be formed under the laws of this state.

This bill would impose on all partnerships the requirements for obtaining a gambling license that are applicable to limited partnerships, and would require that a partnership be registered as may be required under the laws of this state, instead of being formed under the laws of this state. The bill would modify other applicable requirements, including imposing on partnerships the requirement described in

paragraph (6) relative to corporations. The bill would also require that limited liability companies comply with parallel requirements in order to obtain a gambling license.

(9) Under existing law, the purported sale, assignment, transfer, pledge, or other disposition of any interest in a limited partnership that holds a gambling license, or the grant of an option to purchase the interest, is void unless approved in advance by the commission. Existing law also requires the commission, if at any time it denies a license to an individual owner of any interest in a limited partnership that holds a gambling license, to immediately notify the partnership of that fact, and would require the partnership to return to the denied owner of the interest in cash the amount of his or her capital account, as specified.

This bill would make these provisions applicable to all partnerships and limited liability companies that hold a gambling license, would require the commission to give notice to the individual owner of the interest when it denies or revokes the license of the individual, and would require that individual to sell his or her interest, as specified.

(10) Existing law requires that, to the extent required by specified provisions of law, certain persons associated with a limited partnership that holds or applies for a license to own a gambling enterprise be licensed individually.

This bill would include members and managers among the persons to whom the above requirement applies and would impose the requirement, in addition, on those persons if they are associated with any partnership or limited liability company that holds or applies for a license to own a gambling enterprise.

(11) Existing law prohibits certain security interests from being enforced without the prior approval of the commission and compliance with certain regulations adopted by the department, including a security interest in a security issued by a partnership, except as specified. The department is required to adopt regulations establishing the procedure for the enforcement of a security interest.

This bill would, in addition, prohibit enforcement of a security interest without the above approval if the security interest is in a security issued by a limited partnership or limited liability company. The bill would instead require the commission to adopt those regulations.

(12) Existing law requires an order of the commission denying an application for a work permit to be reviewed in accordance with specified provisions of law.

This bill would, in addition, apply the above requirement to an order of the commission placing restrictions or conditions on a work permit.

(13) Existing law prohibits permitting any person under 21 years of age from entering upon the premises of a licensed gambling establishment, except for limited areas, as specified, and requires a separate entrance to those areas.

This bill would include among those exceptions a designated pathway to reach those permissible areas, would delete the requirement for a separate entrance, and would permit passage of a person under 21 years of age through the gaming floor by way of a designated pathway if accompanied by a person over 21 years of age or an employee of the gambling establishment.

(14) Existing law provides that any person aggrieved by a final decision or order of the commission that limits, conditions, suspends, or revokes any previously granted license or approval, made after hearing by the commission, may petition the Superior Court for the County of Sacramento for judicial review pursuant to specified provisions of law. Existing law provides that the court may summarily deny the petition, or the court may issue an alternative writ directing the commission to certify the whole record of the department in the case to the court. Existing law requires that, if an alternative writ issues, the cause be heard on the whole record of the department as certified by the commission.

This bill would, instead, with respect to the above alternative writ, authorize the court to issue that writ to certify the whole record in the case to the court, and would require that, if the alternative writ issues, the cause be heard on the whole record as certified by the commission.

(15) Existing law provides that any licensee or employee in a gambling establishment who violates or permits the violation of specified prohibitions, including a provision prohibiting a person under 21 years of age from loitering in or about any room in which a gambling game is operated or conducted, is guilty of a crime.

This bill would eliminate the above crime as it applies to a licensee or employee in a gambling establishment who permits a person under 21 years of age from loitering as described above.

(16) The Gambling Control Act authorizes a city or county to permit controlled gambling, consistent with state law, if a majority of voters affirmatively approve an ordinance so permitting, as specified. That law authorizes an amendment of an ordinance permitting an expansion of gambling, within a specified limit, without voter approval, and also

authorizes, without voter approval, an amendment to an ordinance permitting an increase of 24.99% in the number of gambling tables that may be operated in a gambling establishment or 2 gambling tables, whichever is greater, compared to the ordinance in effect on January 1, 1996.

This bill would authorize, if a gambling establishment is located in an unincorporated area annexed by a city without a local election other than the election to approve the annexation, the city acquiring jurisdiction to adopt an ordinance permitting and regulating controlled gaming in the existing gambling establishment, providing hours of operation, the games to be played, wagering limits, the maximum number of gambling establishments, and the maximum number of tables permitted in each gambling establishment, the same as those limits in any ordinance or resolutions that formerly applied to the gambling establishment.

(17) Because any violation of these provisions would be punishable as a misdemeanor, the bill would impose a state-mandated local program by creating a new crime.

(18) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 19804 of the Business and Professions  
2     Code is amended to read:  
3     19804. (a) In any action for declaratory or injunctive relief,  
4     or for relief by way of any extraordinary writ, other than an action  
5     initiated pursuant to Section 19932, wherein the construction,  
6     application, or enforcement of this chapter, or any regulation  
7     adopted pursuant thereto, or any order of the department or the  
8     commission issued pursuant thereto, is called into question, a court  
9     shall not grant any preliminary or permanent injunction, or any  
10    peremptory writ of mandate, certiorari, or prohibition, in  
11    connection therewith, except as follows:

1 (1) Upon proof by clear and convincing evidence that the  
2 department or the commission is abusing or threatens to abuse its  
3 discretion.

4 (2) Upon proof by clear and convincing evidence that the  
5 department or the commission is exceeding or threatens to exceed  
6 its jurisdiction.

7 (b) No temporary injunction or other provisional order shall  
8 issue to restrain, stay, or otherwise interfere with any action by  
9 the department or the commission, except upon a finding by the  
10 court, based on clear and convincing evidence, that the public  
11 interest will not be prejudiced thereby, and, *except for preliminary*  
12 *injunctions*, no order may be effective for more than 15 calendar  
13 days, *except by stipulation of the department or commission. No*  
14 *preliminary order may be effective for more than 45 days, except*  
15 *by stipulation of the department or commission.*

16 (c) This section does not relieve a petitioner's obligation to  
17 exhaust administrative remedies.

18 (d) In an action for relief of any nature wherein the construction,  
19 application, or enforcement of this chapter, or any regulation  
20 adopted pursuant thereto, or any order of the department or  
21 commission issued pursuant thereto, is called into question, the  
22 party filing the pleading shall furnish a copy thereof to the  
23 department and to the commission. The copy shall be furnished  
24 by the party filing the pleading within 10 business days after filing.

25 SEC. 2. Section 19805 of the Business and Professions Code  
26 is amended to read:

27 19805. As used in this chapter, the following definitions shall  
28 apply:

29 (a) "Affiliate" means a person who, directly or indirectly through  
30 one or more intermediaries, controls, is controlled by, or is under  
31 common control with, a specified person.

32 (b) "Applicant" means any person who has applied for, or is  
33 about to apply for, a state gambling license, a key employee license,  
34 a registration, a finding of suitability, a work permit, a  
35 manufacturer's or distributor's license, or an approval of any act  
36 or transaction for which the approval or authorization of the  
37 commission or department is required or permitted under this  
38 chapter.

39 (c) "Banking game" or "banked game" does not include a  
40 controlled game if the published rules of the game feature a

1 player-dealer position and provide that this position must be  
2 continuously and systematically rotated amongst each of the  
3 participants during the play of the game, ensure that the  
4 player-dealer is able to win or lose only a fixed and limited wager  
5 during the play of the game, and preclude the house, another entity,  
6 a player, or an observer from maintaining or operating as a bank  
7 during the course of the game. For purposes of this section it is  
8 not the intent of the Legislature to mandate acceptance of the deal  
9 by every player if the department finds that the rules of the game  
10 render the maintenance of or operation of a bank impossible by  
11 other means. The house shall not occupy the player-dealer position.

12 (d) “Chief” means the head of the entity within the department  
13 that is responsible for fulfilling the obligations imposed upon the  
14 department by this chapter.

15 (e) “Commission” means the California Gambling Control  
16 Commission.

17 (f) “Controlled gambling” means to deal, operate, carry on,  
18 conduct, maintain, or expose for play any controlled game.

19 (g) “Controlled game” means any controlled game, as defined  
20 by subdivision (e) of Section 337j of the Penal Code.

21 (h) “Department” means the Department of Justice.

22 (i) “Director” means any director of a corporation or any person  
23 performing similar functions with respect to any organization.

24 (j) “Finding of suitability” means a finding that a person meets  
25 the qualification criteria described in subdivisions (a) and (b) of  
26 Section 19857, and that the person would not be disqualified from  
27 holding a state gambling license on any of the grounds specified  
28 in Section 19859.

29 (k) “Game” and “gambling game” means any controlled game.

30 (l) “Gambling” means to deal, operate, carry on, conduct,  
31 maintain, or expose for play any controlled game.

32 (m) “*Gambling enterprise*” means any person that owns a  
33 gambling operation.

34 ~~(m)~~

35 (n) “Gambling enterprise employee” means any natural person  
36 employed in the operation of a gambling enterprise, including,  
37 without limitation, dealers, floor personnel, security employees,  
38 countroom personnel, cage personnel, collection personnel,  
39 surveillance personnel, data-processing personnel, appropriate  
40 maintenance personnel, waiters and waitresses, and secretaries, or



1 any other natural person whose employment duties require or  
2 authorize access to restricted gambling establishment areas.

3 ~~(n)~~

4 (o) "Gambling establishment," "establishment," or "licensed  
5 premises," except as otherwise defined in Section 19812, means  
6 one or more rooms where any controlled gambling or activity  
7 directly related thereto occurs.

8 ~~(o)~~

9 (p) "Gambling license" or "state gambling license" means any  
10 license issued by the state that authorizes the person named therein  
11 to conduct a gambling operation.

12 ~~(p)~~

13 (q) "Gambling operation" means exposing for play one or more  
14 controlled games that are dealt, operated, carried on, conducted,  
15 or maintained for commercial gain.

16 ~~(q)~~

17 (r) "Gross revenue" means the total of all compensation received  
18 for conducting any controlled game, and includes interest received  
19 in payment for credit extended by an owner licensee to a patron  
20 for purposes of gambling, except as provided by regulation.

21 ~~(r)~~

22 (s) "Hours of operation" means the period during which a  
23 gambling establishment is open to conduct the play of controlled  
24 games within a 24-hour period. In determining whether there has  
25 been expansion of gambling relating to "hours of operation," the  
26 department shall consider the hours in the day when the local  
27 ordinance permitted the gambling establishment to be open for  
28 business on January 1, 1996, and compare the current ordinance  
29 and the hours during which the gambling establishment may be  
30 open for business. The fact that the ordinance was amended to  
31 permit gambling on a day, when gambling was not permitted on  
32 January 1, 1996, shall not be considered in determining whether  
33 there has been gambling in excess of that permitted by Section  
34 19961.

35 ~~(s)~~

36 (t) "House" means the gambling ~~establishment~~ *enterprise*, and  
37 any owner, shareholder, partner, key employee, or landlord thereof.

38 ~~(t)~~

39 (u) "Independent agent," except as provided by regulation,  
40 means any person who does either of the following:

1 (1) Collects debt evidenced by a credit instrument.

2 (2) Contracts with an owner licensee, or an affiliate thereof, to  
3 provide services consisting of arranging transportation or lodging  
4 for guests at a gambling establishment.

5 ~~(u)~~

6 (v) “Initial license” means the license first issued to a person  
7 authorizing that person to commence the activities authorized by  
8 that license.

9 ~~(v)~~

10 (w) “Institutional investor” means any retirement fund  
11 administered by a public agency for the exclusive benefit of federal,  
12 state, or local public employees, any investment company  
13 registered under the Investment Company Act of 1940 (15 U.S.C.  
14 Sec. 80a-1 et seq.), any collective investment trust organized by  
15 banks under Part Nine of the Rules of the Comptroller of the  
16 Currency, any closed-end investment trust, any chartered or  
17 licensed life insurance company or property and casualty insurance  
18 company, any banking and other chartered or licensed lending  
19 institution, any investment advisor registered under the Investment  
20 Advisors Act of 1940 (15 U.S.C. Sec. 80b-1 et seq.) acting in that  
21 capacity, and other persons as the commission may determine for  
22 reasons consistent with the policies of this chapter.

23 ~~(w)~~

24 (x) “Key employee” means any natural person employed in the  
25 operation of a gambling enterprise in a supervisory capacity or  
26 empowered to make discretionary decisions that regulate gambling  
27 operations, including, without limitation, pit bosses, shift bosses,  
28 credit executives, cashier operations supervisors, gambling  
29 operation managers and assistant managers, managers or  
30 supervisors of security employees, or any other natural person  
31 designated as a key employee by the department for reasons  
32 consistent with the policies of this chapter.

33 ~~(x)~~

34 (y) “Key employee license” means a state license authorizing  
35 the holder to be employed as a key employee.

36 ~~(y)~~

37 (z) “License” means a gambling license or key employee license.

38 ~~(z)~~

39 (aa) “Licensed gambling establishment” means the gambling  
40 premises encompassed by a state gambling license.

1     ~~(aa)~~

2     ~~(ab)~~ “Limited partnership” means a partnership formed by two  
3 or more persons having as members one or more general partners  
4 and one or more limited partners.

5     ~~(ab)~~

6     ~~(ac)~~ “Limited partnership interest” means the right of a general  
7 or limited partner to any of the following:

8         (1) To receive from a limited partnership any of the following:

9             (A) A share of the revenue.

10            (B) Any other compensation by way of income.

11            (C) A return of any or all of his or her contribution to capital of  
12 the limited partnership.

13         (2) To exercise any of the rights provided under state law.

14     ~~(ae)~~

15     ~~(ad)~~ “Owner licensee” means an owner of a gambling enterprise  
16 who holds a state gambling license.

17     ~~(ad)~~

18     ~~(ae)~~ “Person,” unless otherwise indicated, includes a natural  
19 person, corporation, partnership, limited partnership, trust, joint  
20 venture, association, or any other business organization.

21     ~~(ae)~~

22     ~~(af)~~ “Player” means a patron of a gambling establishment who  
23 participates in a controlled game.

24     ~~(af)~~

25     ~~(ag)~~ “Player-dealer” and “controlled game featuring a  
26 player-dealer position” refer to a position in a controlled game, as  
27 defined by the approved rules for that game, in which seated player  
28 participants are afforded the temporary opportunity to wager  
29 against multiple players at the same table, provided that this  
30 position is rotated amongst the other seated players in the game.

31     ~~(ag)~~

32     ~~(ah)~~ “Publicly traded racing association” means a corporation  
33 licensed to conduct horse racing and simulcast wagering pursuant  
34 to Chapter 4 (commencing with Section 19400) whose stock is  
35 publicly traded.

36     ~~(ah)~~

37     ~~(ai)~~ “Qualified racing association” means a corporation licensed  
38 to conduct horse racing and simulcast wagering pursuant to Chapter  
39 4 (commencing with Section 19400) that is a wholly owned  
40 subsidiary of a corporation whose stock is publicly traded.

1     ~~(ai)~~

2     ~~(aj)~~ “Renewal license” means the license issued to the holder  
3 of an initial license that authorizes the license to continue beyond  
4 the expiration date of the initial license.

5     ~~(aj)~~

6     ~~(ak)~~ “Work permit” means any card, certificate, or permit issued  
7 by the commission, or by a county, city, or city and county, whether  
8 denominated as a work permit, registration card, or otherwise,  
9 authorizing the holder to be employed as a gambling enterprise  
10 employee or to serve as an independent agent. A document issued  
11 by any governmental authority for any employment other than  
12 gambling is not a valid work permit for the purposes of this chapter.

13     SEC. 3. Section 19824 of the Business and Professions Code  
14 is amended to read:

15     19824. The commission shall have all powers necessary and  
16 proper to enable it fully and effectually to carry out the policies  
17 and purposes of this chapter, including, without limitation, the  
18 power to do all of the following:

19     (a) Require any person to apply for a license, permit,  
20 registration, or approval as specified in this chapter, or regulations  
21 adopted pursuant to this chapter.

22     (b) For any cause deemed reasonable by the commission, deny  
23 any application for a license, permit, or approval provided for in  
24 this chapter or regulations adopted pursuant to this chapter, limit,  
25 condition, or restrict any license, permit, or approval, or impose  
26 any fine upon any person licensed or approved. *The commission*  
27 *may condition, restrict, discipline, or take action against the license*  
28 *of an individual owner endorsed on the license of the gambling*  
29 *enterprise whether or not the commission takes action against the*  
30 *license of the gambling enterprise.*

31     (c) Approve or disapprove transactions, events, and processes  
32 as provided in this chapter.

33     (d) Take actions deemed to be reasonable to ensure that no  
34 ineligible, unqualified, disqualified, or unsuitable persons are  
35 associated with controlled gambling activities.

36     (e) Take actions deemed to be reasonable to ensure that  
37 gambling activities take place only in suitable locations.

38     (f) Grant temporary licenses, permits, or approvals on  
39 appropriate terms and conditions.

1 (g) Institute a civil action in any superior court against any  
2 person subject to this chapter to restrain a violation of this chapter.  
3 An action brought against a person pursuant to this section does  
4 not preclude a criminal action or administrative proceeding against  
5 that person by the Attorney General or any district attorney or city  
6 attorney.

7 (h) Issue subpoenas to compel attendance of witnesses and  
8 production of documents and other material things at a meeting  
9 or hearing of the commission or its committees, including advisory  
10 committees.

11 SEC. 4. Section 19841 of the Business and Professions Code  
12 is amended to read:

13 19841. The regulations adopted by the commission shall do  
14 all of the following:

15 (a) With respect to applications, registrations, investigations,  
16 and fees, the regulations shall include, but not be limited to,  
17 provisions that do all of the following:

18 (1) Prescribe the method and form of application and  
19 registration.

20 (2) Prescribe the information to be furnished by any applicant,  
21 licensee, or registrant concerning, as appropriate, the person's  
22 personal history, habits, character, associates, criminal record,  
23 business activities, organizational structure, and financial affairs,  
24 past or present.

25 (3) Prescribe the information to be furnished by an owner  
26 licensee relating to the licensee's gambling employees.

27 (4) Require fingerprinting or other methods of identification of  
28 an applicant, licensee, or employee of a licensee.

29 (5) Prescribe the manner and method of collection and payment  
30 of fees and issuance of licenses.

31 (b) Provide for the approval of game rules and equipment by  
32 the department to ensure fairness to the public and compliance  
33 with state laws.

34 (c) Implement the provisions of this chapter relating to licensing  
35 and other approvals.

36 (d) Require owner licensees to report and keep records of  
37 transactions, including transactions as determined by the  
38 department, involving cash or credit. The regulations may include,  
39 without limitation, regulations requiring owner licensees to file  
40 with the department reports similar to those required by Sections

1 5313 and 5314 of Title 31 of the United States Code, and by  
2 Sections 103.22 and 103.23 of Title 31 of the Code of Federal  
3 Regulations, and any successor provisions thereto, from financial  
4 institutions, as defined in Section 5312 of Title 31 of the United  
5 States Code and Section 103.11 of Title 31 of the Code of Federal  
6 Regulations, and any successor provisions.

7 (e) Provide for the receipt of protests and written comments on  
8 an application by public agencies, public officials, local governing  
9 bodies, or residents of the location of the gambling establishment  
10 or future gambling establishment.

11 (f) Provide for the disapproval of advertising by licensed  
12 gambling establishments that is determined by the department to  
13 be deceptive to the public. Regulations adopted by the commission  
14 for advertising by licensed gambling establishments shall be  
15 consistent with the advertising regulations adopted by the  
16 California Horse Racing Board and the Lottery Commission.  
17 Advertisement that appeals to children or adolescents or that offers  
18 gambling as a means of becoming wealthy is presumptively  
19 deceptive.

20 (g) Govern all of the following:

21 (1) The extension of credit.

22 (2) The cashing, deposit, and redemption of checks or other  
23 negotiable instruments.

24 (3) The verification of identification in monetary transactions.

25 (h) Prescribe minimum procedures for adoption by owner  
26 licensees to exercise effective control over their internal fiscal and  
27 gambling affairs, which shall include, but not be limited to,  
28 provisions for all of the following:

29 (1) The safeguarding of assets and revenues, including the  
30 recording of cash and evidences of indebtedness.

31 (2) Prescribing the manner in which compensation from games  
32 and gross revenue shall be computed and reported by an owner  
33 licensee.

34 (3) The provision of reliable records, accounts, and reports of  
35 transactions, operations, and events, including reports to the  
36 department.

37 (i) Provide for the adoption and use of internal audits, whether  
38 by qualified internal auditors or by certified public accountants.  
39 As used in this subdivision, “internal audit” means a type of control  
40 that operates through the testing and evaluation of other controls

1 and that is also directed toward observing proper compliance with  
2 the minimum standards of control prescribed in subdivision (h).

3 (j) Require periodic financial reports from each owner licensee.

4 (k) Specify standard forms for reporting financial conditions,  
5 results of operations, and other relevant financial information.

6 (l) Formulate a uniform code of accounts and accounting  
7 classifications to ensure consistency, comparability, and effective  
8 disclosure of financial information.

9 (m) Prescribe intervals at which the information in subdivisions  
10 (j) and (k) shall be furnished to the department.

11 (n) Require audits to be conducted, in accordance with generally  
12 accepted auditing standards, of the financial statements of all owner  
13 licensees whose annual gross revenues equal or exceed a specified  
14 sum. However, nothing herein shall be construed to limit the  
15 department's authority to require audits of any owner licensee.  
16 Audits, compilations, and reviews provided for in this subdivision  
17 shall be made by independent certified public accountants licensed  
18 to practice in this state.

19 (o) Restrict, limit, or otherwise regulate any activity that is  
20 related to the conduct of controlled gambling, consistent with the  
21 purposes of this chapter.

22 (p) Define and limit the area, games, hours of operation, number  
23 of tables, wagering limits, and equipment permitted, or the method  
24 of operation of games and equipment, if the commission, upon the  
25 recommendation of, or in consultation with, the department,  
26 determines that local regulation of these subjects is insufficient to  
27 protect the health, safety, or welfare of residents in geographical  
28 areas proximate to a gambling establishment.

29 (q) Prohibit gambling establishments *enterprises* from cashing  
30 checks drawn against any federal, state, or county fund, including,  
31 but not limited to, social security, unemployment insurance,  
32 disability payments, or public assistance payments. However, a  
33 gambling establishment *enterprise* shall not be prohibited from  
34 cashing any payroll checks or checks for the delivery of goods or  
35 services that are drawn against a federal, state, or county fund.

36 ~~Gambling establishments shall send the department copies of~~  
37 ~~all dishonored or uncollectible checks at the end of each quarter.~~

38 (r) Provide for standards, specifications, and procedures  
39 governing the manufacture, distribution, including the sale and  
40 leasing, inspection, testing, location, operation, repair, and storage

1 of gambling equipment, and for the licensing of persons engaged  
2 in the business of manufacturing, distributing, including the sale  
3 and leasing, inspection, testing, repair, and storage of gambling  
4 equipment.

5 *(s) By December 31, 2010, provide procedures, criteria, and*  
6 *timelines for the processing and approval of applications for the*  
7 *licensing, temporary or interim licensing, or findings of suitability*  
8 *for receivers, trustees, beneficiaries, executors, administrators,*  
9 *conservators, successors in interest, or security interest holders*  
10 *for a gambling enterprise so that gambling enterprises may operate*  
11 *continuously in cases including, but not limited to, the death,*  
12 *insolvency, foreclosure, receivership, or incapacity of a licensee.*

13 SEC. 5. Section 19846 of the Business and Professions Code  
14 is amended to read:

15 19846. (a) Notwithstanding any other provision of law and  
16 except as provided in subdivision (b), a gambling ~~establishment~~  
17 *enterprise* that ejects or excludes an individual based upon Section  
18 19844 or 19845 is not subject to civil liability for a mistake as to  
19 the grounds for ejecting or excluding a person if the ejection or  
20 exclusion was based upon a reasonable and good faith belief, after  
21 a reasonable investigation, that these sections applied to the  
22 individual in question.

23 (b) Notwithstanding subdivision (a), a gambling ~~establishment~~  
24 *enterprise* may not be relieved from liability for any damages  
25 arising from the means of ejection or exclusion.

26 SEC. 6. Section 19852 of the Business and Professions Code  
27 is amended to read:

28 19852. Except as provided in Section 19852.2, an owner of a  
29 gambling enterprise that is not a natural person shall not be eligible  
30 for a state gambling license unless each of the following persons  
31 individually applies for and obtains a state gambling license:

32 (a) If the owner is a corporation, then each officer, director, and  
33 shareholder, other than a holding or intermediary company, of the  
34 owner. The foregoing does not apply to an owner that is either a  
35 publicly traded racing association or a qualified racing association.

36 (b) If the owner is a publicly traded racing association, then  
37 each officer, director, and owner, other than an institutional  
38 investor, of 5 percent or more of the outstanding shares of the  
39 publicly traded corporation.



1 (c) If the owner is a qualified racing association, then each  
2 officer, director, and shareholder, other than an institutional  
3 investor, of the subsidiary corporation and any owner, other than  
4 an institutional investor, of 5 percent or more of the outstanding  
5 shares of the publicly traded corporation.

6 (d) If the owner is a partnership, then every general and limited  
7 partner of, and every trustee or person, other than a holding or  
8 intermediary company, having or acquiring a direct or beneficial  
9 interest in, that partnership owner.

10 (e) If the owner is a trust, then the trustee and, in the discretion  
11 of the commission, any beneficiary and the trustor of the trust.

12 (f) *If the owner is a limited liability company, every officer,*  
13 *manager, member, or owner.*

14 ~~(f)~~

15 (g) If the owner is a business organization other than a  
16 corporation, partnership, ~~or~~ trust, *or limited liability company*, then  
17 all those persons as the commission may require, consistent with  
18 this chapter.

19 ~~(g)~~

20 (h) Each person who receives, or is to receive, any percentage  
21 share of the revenue earned by the owner from gambling activities.

22 ~~(h)~~

23 (i) Every employee, agent, guardian, personal representative,  
24 lender, or holder of indebtedness of the owner who, in the judgment  
25 of the commission, has the power to exercise a significant influence  
26 over the gambling operation.

27 SEC. 7. Section 19868 of the Business and Professions Code  
28 is amended to read:

29 19868. (a) Within a reasonable time after the filing of an  
30 application and any supplemental information the department may  
31 require, and the deposit of any fee required pursuant to Section  
32 19867, the department shall commence its investigation of the  
33 applicant and, for that purpose, may conduct any proceedings it  
34 deems necessary. To the extent practicable, all applications shall  
35 be acted upon within 180 calendar days of the date of submission  
36 of a completed application. If an investigation has not been  
37 concluded within 180 days after the date of submission of a  
38 completed application, the department shall inform the applicant  
39 in writing of the status of the investigation and shall also provide

1 the applicant with an estimated date on which the investigation  
2 may reasonably be expected to be concluded.

3 (b) If denial of the application, *or approval of the license with*  
4 *restrictions or conditions on the license*, is recommended, the chief  
5 shall prepare and file with the commission his or her written  
6 reasons upon which the recommendation is based.

7 (1) Prior to filing his or her recommendation with the  
8 commission, the chief shall meet with the applicant, or the  
9 applicant's duly authorized representative, and inform him or her  
10 generally of the basis for any proposed recommendation that the  
11 application be denied, restricted, or conditioned.

12 (2) Not less than 10 business days prior to the meeting of the  
13 commission at which the application is to be considered, the  
14 department shall deliver to the applicant a summary of the chief's  
15 final report and recommendation.

16 (3) This section ~~neither~~ requires the department *neither* to  
17 divulge to the applicant any confidential information received from  
18 any law enforcement agency or any information received from  
19 any person with assurances that the information would be  
20 maintained confidential, ~~and~~ nor to divulge any information that  
21 might reveal the identity of any informer or jeopardize the safety  
22 of any person.

23 (c) *If a restriction or condition on the license is recommended,*  
24 *the chief shall prepare and file with the commission his or her*  
25 *written reasons upon which the recommendation is based.*

26 (1) *Prior to filing his or her recommendation with the*  
27 *commission, and not less than 10 business days prior to the meeting*  
28 *of the commission at which the application is to be considered,*  
29 *the chief shall inform the applicant in writing generally of the*  
30 *basis for any proposed recommendation that the application be*  
31 *restricted or conditioned, including the legal and factual grounds*  
32 *on which the recommendation is based.*

33 (2) *This section does not require the department to divulge to*  
34 *the applicant any confidential information received from any law*  
35 *enforcement agency or any information received from any person*  
36 *with assurances that the information would be maintained*  
37 *confidential, or to divulge any information that might reveal the*  
38 *identity of any informer or jeopardize the safety of any person.*

39 (e)

1 (d) A recommendation of denial of an application shall be  
2 without prejudice to a new and different application filed in  
3 accordance with applicable regulations.

4 SEC. 8. Section 19880 of the Business and Professions Code  
5 is amended to read:

6 19880. In addition to the requirements of Section 19852, in  
7 order to be eligible to receive a gambling license as the owner of  
8 a gambling enterprise, a corporation shall comply with all of the  
9 following requirements:

10 (a) Maintain an office of the corporation in the gambling  
11 establishment.

12 (b) Comply with all of the requirements of the laws of this state  
13 pertaining to corporations.

14 (c) Maintain, in the corporation's principal office in California  
15 or in the gambling establishment, a ledger that meets both of the  
16 following conditions:

17 (1) At all times reflects the ownership of record of every class  
18 of security issued by the corporation.

19 (2) Is available for inspection by the department at all reasonable  
20 times without notice.

21 ~~(d) Register as a corporation with the department and supply~~  
22 ~~the following supplemental information to the department: Supply~~  
23 ~~supplemental forms and information, in accordance with Section~~  
24 ~~19865, with the initial license application, and thereafter only on~~  
25 ~~request, to the department, which shall include, but not be limited~~  
26 ~~to, all of the following:~~

27 (1) The organization, financial structure, and nature of the  
28 business to be operated, including the names, personal and criminal  
29 history, and fingerprints of all officers; ~~and~~ directors, ~~and key~~  
30 ~~employees~~, and the names, addresses, and number of shares held  
31 by all stockholders of record.

32 (2) The rights and privileges acquired by the holders of different  
33 classes of authorized securities, including debentures.

34 (3) The terms on which securities are to be offered.

35 (4) The terms and conditions on all outstanding loans,  
36 mortgages, trust deeds, pledges, or any other indebtedness or  
37 security ~~device~~ interest.

38 (5) The extent of the equity security holdings in the corporation  
39 of all officers, directors, and underwriters, and their remuneration

1 as compensation for services, in the form of salary, wages, fees,  
2 or otherwise.

3 (6) The amount of remuneration to persons other than directors  
4 and officers in excess of ~~fifty thousand dollars (\$50,000)~~ *one*  
5 *hundred thousand dollars (\$100,000)* per annum.

6 (7) Bonus and profit-sharing arrangements.

7 (8) Management, *consultant*, and service contracts *related to*  
8 *the operation of controlled gaming*.

9 (9) Options existing, or to be created, in respect of their  
10 securities or other interests.

11 (10) Financial statements for at least three fiscal years preceding  
12 the year of registration, or, if the corporation has not been in  
13 existence for a period of three years, financial statements from the  
14 date of its formation. All financial statements shall be prepared in  
15 accordance with generally accepted accounting principles and  
16 audited by a licensee of the California Board of Accountancy.

17 (11) Any further financial data that the department, with the  
18 approval of the commission, may deem necessary or appropriate  
19 for the protection of the state.

20 (12) An annual profit-and-loss statement and an annual balance  
21 sheet, and a copy of its annual federal income tax return, within  
22 30 calendar days after that return is filed with the Internal Revenue  
23 Service.

24 SEC. 9. Section 19882 of the Business and Professions Code  
25 is amended to read:

26 19882. (a) If at any time the commission denies a license to,  
27 *or revokes the license of*, an individual owner of any security issued  
28 by a corporation that applies for or holds an owner license, the  
29 *commission shall immediately notify the individual and the*  
30 *corporation of that fact. The owner of the security shall*  
31 ~~immediately offer the security to the issuing corporation for~~  
32 ~~purchase. The corporation shall purchase the security so offered,~~  
33 ~~for cash in sell the security for an amount not greater than fair~~  
34 ~~market value, within 30 60 calendar days after the date of the offer~~  
35 ~~of the denial or revocation. Upon a showing of due diligence, the~~  
36 ~~commission may extend the time for selling the security.~~

37 (b) Beginning upon the date when the department serves notice  
38 of the denial upon the corporation, it is unlawful for the denied  
39 security owner to do any of the following:

1 (1) Receive any dividend, *income*, or interest upon any security  
2 described in subdivision (a), *except dividends equal to the good*  
3 *faith estimate of the owner's personal share of any income tax due*  
4 *on the ownership interest until the date of the sale, as determined*  
5 *in writing by an independent certified public accountant, or as*  
6 *may be necessary to protect the election of the gambling enterprise*  
7 *to be treated as an "S corporation" under Subchapter S*  
8 *(commencing with Section 1361) of Chapter 1 of Subtitle A of the*  
9 *Internal Revenue Code.*

10 (2) Exercise, directly or through any trustee or nominee, any  
11 voting right conferred by any security described in subdivision  
12 (a).

13 (3) Receive any remuneration in any form from the corporation  
14 for services rendered or for any other purpose.

15 (c) Every security issued by a corporate owner licensee shall  
16 bear a statement, on both sides of the certificate evidencing the  
17 security, of the restrictions imposed by this section.

18 SEC. 10. The heading of Article 6 (commencing with Section  
19 19890) of Chapter 5 of Division 8 of the Business and Professions  
20 Code is amended to read:

21  
22 Article 6. Licensing of ~~Limited~~ Partnerships and Limited  
23 Liability Companies  
24

25 SEC. 11. Section 19890 of the Business and Professions Code  
26 is amended to read:

27 19890. In addition to the requirements of Section 19852, in  
28 order to be eligible to receive a gambling license to own a gambling  
29 enterprise, a ~~limited~~ partnership shall comply with all of the  
30 following requirements:

31 (a) ~~Be formed~~ *registered as may be required* under the laws of  
32 this state.

33 (b) Maintain an office of the ~~limited~~ partnership in the gambling  
34 establishment.

35 (c) Comply with all of the requirements of the laws of this state  
36 pertaining to ~~limited~~ partnerships.

37 (d) Maintain ~~a an ongoing ledger in the principal~~ *an office of*  
38 ~~the limited~~ partnership in California that shall meet both of the  
39 following conditions:

1 (1) At all times reflects the ownership of all interests in the  
2 ~~limited~~ partnership.

3 (2) Be available for inspection by the department at all  
4 reasonable times without notice.

5 (e) ~~Register with the department and supply~~ Supply the following  
6 supplemental *forms and information in accordance with Section*  
7 *19865 with the initial license application, and thereafter upon*  
8 *request, to the department, which shall include, but not be limited*  
9 *to:*

10 (1) The organization, financial structure, and nature of the  
11 business to be operated, including ~~the names, personal history, and~~  
12 ~~fingerprints of all general partners and key employees, and the~~  
13 ~~name, address, and personal history, interest, and fingerprints of~~  
14 ~~each limited partner and manager.~~

15 (2) The rights, privileges, and relative priorities of ~~limited any~~  
16 partners as to the return of contributions to capital, and the right  
17 to receive income, *accept losses, and incur liabilities.*

18 (3) The terms on which ~~limited~~ partnership interests are to be  
19 offered.

20 (4) The terms and conditions on all outstanding loans,  
21 mortgages, trust deeds, pledges, or any other indebtedness or  
22 security ~~device interest.~~

23 (5) The extent of the holding in the ~~limited~~ partnership of all  
24 underwriters, and their remuneration as compensation for services,  
25 in the form of salary, wages, fees, or otherwise.

26 (6) The remuneration to persons other than general partners in  
27 excess of ~~fifty thousand dollars (\$50,000)~~ *one hundred thousand*  
28 *dollars (\$100,000)* per annum.

29 (7) Bonus and profit-sharing arrangements.

30 (8) Management, *consulting*, and service contracts *related to*  
31 *the operation of controlled gambling.*

32 (9) Options existing or to be created.

33 (10) Financial statements for at least three fiscal years preceding  
34 the year of registration, or, if the ~~limited~~ partnership has not been  
35 in existence for a period of three years, financial statements from  
36 the date of its formation. All financial statements shall be prepared  
37 in accordance with generally accepted accounting principles and  
38 audited by a licensee of the California Board of Accountancy in  
39 accordance with generally accepted auditing standards.

1 (11) Any further financial data that the department reasonably  
2 deems necessary or appropriate for the protection of the state.

3 (12) An annual profit and loss statement~~and~~, an annual balance  
4 sheet, and a copy of its annual federal income tax return, within  
5 30 calendar days after the return is filed with the Internal Revenue  
6 Service.

7 SEC. 12. Section 19890.5 is added to the Business and  
8 Professions Code, to read:

9 19890.5. In addition to the requirements of Section 19852, in  
10 order to be eligible to receive a gambling license to own a gambling  
11 enterprise, a limited liability company shall comply with all of the  
12 following requirements:

13 (a) Be registered to do business in California.

14 (b) Maintain an office in the gambling establishment.

15 (c) Comply with all of the requirements of the laws of this state  
16 pertaining to a limited liability company.

17 (d) Maintain an ongoing ledger in an office of the limited  
18 liability company in California that shall meet both of the following  
19 conditions:

20 (1) At all times reflect the ownership, membership, and  
21 management interests.

22 (2) Be available for inspection by the department at all  
23 reasonable times without notice.

24 (e) Supply the following supplemental forms and information  
25 in accordance with Section 19865 with the initial application, and  
26 thereafter upon request to the department, which shall include, but  
27 not be limited to, all of the following:

28 (1) The organization, financial structure, and nature of the  
29 business to be operated, including the names, personal and criminal  
30 history, and fingerprints of all members and managers, and the  
31 name, address, and interest of each owner, member, and manager.

32 (2) The rights, privileges, and relative priorities of members as  
33 to the return of contributions to capital, and the right to receive  
34 income, accept losses, and incur liabilities.

35 (3) The terms on which membership interests are to be offered.

36 (4) The terms and conditions on all outstanding loans,  
37 mortgages, trust deeds, pledges, or any other indebtedness or  
38 security interest.

1 (5) The extent of the holding in the limited liability company  
2 of all underwriters, and their remuneration as compensation for  
3 services, in the form of salary, wages, fees, or otherwise.

4 (6) The remuneration to persons other than managers or  
5 members in excess of one hundred thousand dollars (\$100,000)  
6 per annum.

7 (7) Bonus and profit-sharing arrangements.

8 (8) Management, consulting, and service contracts related to  
9 the operation of controlled gambling.

10 (9) Options existing or to be created.

11 (10) Financial statements for at least three fiscal years preceding  
12 the year of application, or, if the limited liability company has not  
13 been in existence for a period of three years, financial statements  
14 from the date of its formation. All financial statements shall be  
15 prepared in accordance with generally accepted accounting  
16 principles and audited by a licensee of the California Board of  
17 Accountancy in accordance with generally accepted auditing  
18 standards.

19 (11) Any further financial data that the department reasonably  
20 deems necessary or appropriate for the protection of the state.

21 (12) An annual profit and loss statement, an annual balance  
22 sheet, and a copy of its annual federal income tax return, within  
23 30 calendar days after the return is filed with the Internal Revenue  
24 Service.

25 SEC. 13. Section 19892 of the Business and Professions Code  
26 is amended to read:

27 19892. (a) The purported sale, assignment, transfer, pledge,  
28 or other disposition of any interest in a ~~limited~~ partnership *or*  
29 *limited liability company* that holds a gambling license, or the grant  
30 of an option to purchase the interest, is void unless approved in  
31 advance by the commission.

32 (b) If at any time the commission denies a license to, *or revokes*  
33 *the license of*, an individual owner of any interest described in  
34 subdivision (a), the commission shall immediately notify the  
35 *individual and the partnership or limited liability company* of that  
36 fact. ~~The limited partnership, within 30 calendar days from the~~  
37 ~~date it receives the notice from the commission, shall return to the~~  
38 ~~denied owner of the interest, in cash, the amount of his or her~~  
39 ~~capital account as reflected on the books of the partnership~~  
40 *individual denied a license, or whose license is revoked, shall sell*



1 *his or her interest in an amount not greater than fair market value,*  
2 *within 60 calendar days of the denial or revocation. Upon a*  
3 *showing of due diligence, the commission may extend the time for*  
4 *selling the security.*

5 (c) Beginning upon the date when the commission serves a  
6 notice of denial upon the ~~limited~~ partnership or limited liability  
7 company, it is unlawful for the denied owner of the interest to do  
8 any of the following:

9 (1) Receive any share of the revenue or interest upon the ~~limited~~  
10 partnership or limited liability company interest, *except*  
11 *distributions equal to the good faith estimate of the owner's*  
12 *personal share of any income tax due on the ownership interest*  
13 *until the date of the sale as determined in writing by an independent*  
14 *certified public accountant.*

15 (2) Exercise, directly or through any trustee or nominee, any  
16 voting right conferred by that interest.

17 (3) Receive any remuneration in any form from the ~~limited~~  
18 partnership, for services rendered or for any other purpose.

19 (d) Every certificate of limited partnership of any limited  
20 partnership holding a gambling license shall contain a statement  
21 of the restrictions imposed by this section.

22 SEC. 14. Section 19893 of the Business and Professions Code  
23 is amended to read:

24 19893. To the extent required by this chapter, general partners,  
25 limited partners, lenders, *members, managers,* holders of evidence  
26 of indebtedness, underwriters, agents, or employees of a ~~limited~~  
27 partnership or limited liability company that holds or applies for  
28 a license to own a gambling enterprise shall be licensed  
29 individually. The ~~limited~~ partnership or limited liability company  
30 shall require these persons to apply for and obtain a gambling  
31 license. A person who is required to be licensed by this section as  
32 a ~~general or limited~~ partner, *manager, or member* shall not hold  
33 that position until he or she secures the required approval of, *or a*  
34 *temporary license issued by,* the commission. A person who is  
35 required to be licensed pursuant to a decision of the commission  
36 shall apply for a license within 30 days after the commission  
37 requests him or her to do so.

38 SEC. 15. Section 19900 of the Business and Professions Code  
39 is amended to read:

1 19900. (a) Except as may be provided by regulation of the  
2 ~~department~~ *commission*, the following security interests shall not  
3 be enforced without the prior approval of the commission and  
4 compliance with regulations adopted pursuant to subdivision (b):

5 (1) In a security issued by a corporation that is a holder of a  
6 gambling license in this state.

7 (2) In a security issued by a holding company that is not a  
8 publicly traded corporation.

9 (3) In a security issued by a partnership, *limited partnership*,  
10 *or limited liability company* that is a holder of a gambling license  
11 in this state.

12 (b) The ~~department~~ *commission* shall adopt regulations  
13 establishing the procedure for the enforcement of a security interest.  
14 Any remedy provided by the regulations for the enforcement of  
15 the security interest is in addition to any other remedy provided  
16 by law.

17 SEC. 16. Section 19912 of the Business and Professions Code  
18 is amended to read:

19 19912. (a) (1) A person shall not be employed as a gambling  
20 enterprise employee, or serve as an independent agent, except as  
21 provided in paragraph (2), unless he or she is the holder of one of  
22 the following:

23 (A) A valid work permit issued in accordance with the applicable  
24 ordinance or regulations of the county, city, or city and county in  
25 which his or her duties are performed.

26 (B) A work permit issued by the commission pursuant to  
27 regulations adopted by the commission for the issuance and  
28 renewal of work permits. A work permit issued by the commission  
29 shall be valid for two years.

30 (2) An independent agent is not required to hold a work permit  
31 if he or she is not a resident of this state and has registered with  
32 the department in accordance with regulations.

33 (b) A work permit shall not be issued by any city, county, or  
34 city and county to any person who would be disqualified from  
35 holding a state gambling license for the reasons specified in  
36 subdivisions (a) to (g), inclusive, of Section 19859.

37 (c) The department may object to the issuance of a work permit  
38 by a city, county, or city and county for any cause deemed  
39 reasonable by the department, and if the department objects to  
40 issuance of a work permit, the work permit shall be denied.

1 (1) The commission shall adopt regulations specifying particular  
2 grounds for objection to issuance of, or refusal to issue, a work  
3 permit.

4 (2) The ordinance of any city, county, or city and county relating  
5 to issuance of work permits shall permit the department to object  
6 to the issuance of any permit.

7 (3) Any person whose application for a work permit has been  
8 denied because of an objection by the department may apply to  
9 the commission for an evidentiary hearing in accordance with  
10 regulations.

11 (d) Application for a work permit for use in any jurisdiction  
12 where a locally issued work permit is not required by the licensing  
13 authority of a city, county, or city and county shall be made to the  
14 commission, and may be granted or denied for any cause deemed  
15 reasonable by the commission. If the commission denies the  
16 application, it shall include in its notice of denial a statement of  
17 facts upon which it relied in denying the application. Upon receipt  
18 of an application for a work permit, the commission may issue a  
19 temporary work permit for a period not to exceed 120 days,  
20 pending completion of the background investigation by the  
21 department and official action by the commission with respect to  
22 the work permit application.

23 (e) An order of the commission denying an application for, *or*  
24 *placing restrictions or conditions on*, a work permit, including an  
25 order declining to issue a work permit following review pursuant  
26 to paragraph (3) of subdivision (c), may be reviewed in accordance  
27 with subdivision (e) of Section 19870.

28 SEC. 17. Section 19921 of the Business and Professions Code  
29 is amended to read:

30 19921. (a) No person under the age of 21 years shall be  
31 permitted to enter upon the premises of a licensed gambling  
32 establishment, or any part thereof, except the following:

33 ~~(a)~~

34 (1) An area, physically separated from any gambling area, for  
35 the exclusive purpose of dining. For purposes of this subdivision,  
36 any place wherein food or beverages are dispensed primarily by  
37 vending machines shall not constitute a place for dining.

38 ~~(b)~~

39 (2) Restrooms.

40 ~~(c)~~

1 (3) A supervised room, ~~as defined by regulation,~~ that is  
2 physically separated from any gambling area and used primarily  
3 for the purpose of entertainment or recreation.

4 ~~Any area of a gambling establishment to which a person under~~  
5 ~~the age of 21 years may have access under this subdivision shall~~  
6 ~~have an entrance that shall not require the entrants to enter upon~~  
7 ~~or pass through the gambling floor. All persons under the age of~~  
8 ~~21 years shall be restricted to the entrance specified in this~~  
9 ~~subdivision.~~

10 (4) *A designated pathway to reach any of the areas described*  
11 *in paragraphs (1) to (3), inclusive. To the extent that the designated*  
12 *pathway requires an individual to enter upon or pass through the*  
13 *gaming floor, all persons under 21 years of age shall be*  
14 *accompanied by a person over 21 years of age or be in the*  
15 *presence of a gambling establishment employee over 21 years of*  
16 *age.*

17 (b) *No person under 21 years of age shall be permitted to loiter*  
18 *in a gaming area.*

19 SEC. 18. Section 19932 of the Business and Professions Code  
20 is amended to read:

21 19932. (a) Any person aggrieved by a final decision or order  
22 of the commission that limits, conditions, suspends, or revokes  
23 any previously granted license or approval, made after hearing by  
24 the commission, may petition the Superior Court for the County  
25 of Sacramento for judicial review pursuant to Section 1094.5 of  
26 the Code of Civil Procedure and Section 11523 of the Government  
27 Code. Notwithstanding any other provision of law, the standard  
28 set forth in paragraph (1) of subdivision (h) of Section 1094.5 of  
29 the Code of Civil Procedure shall apply for obtaining a stay of the  
30 operation of a final decision or order of the commission. In every  
31 case where it is claimed that the findings are not supported by the  
32 evidence, abuse of discretion is established if the court determines  
33 that the findings are not supported by substantial evidence in light  
34 of the whole record.

35 (b) The court may summarily deny the petition, or the court  
36 may issue an alternative writ directing the commission to certify  
37 the whole record ~~of the department~~ in the case to the court within  
38 a time specified. No new or additional evidence shall be introduced  
39 in the court, but, if an alternative writ issues, the cause shall be

1 heard on the whole record of the department as certified by the  
2 commission.

3 (c) In determining the cause following issuance of an alternative  
4 writ, the court shall enter judgment affirming, modifying, or  
5 reversing the order of the commission, or the court may remand  
6 the case for further proceedings before, or reconsideration by, the  
7 commission.

8 (d) Except as otherwise provided in Section 19870 and  
9 subdivision (e) in Section 19912, this section provides the exclusive  
10 means to review adjudicatory decisions of the commission.

11 SEC. 19. Section 19941 of the Business and Professions Code  
12 is amended to read:

13 19941. (a) A person under the age of 21 years shall not do any  
14 of the following:

15 (1) Play, be allowed to play, place wagers at, or collect winnings  
16 from, whether personally or through an agent, any gambling game.

17 ~~(2) Loiter, or be permitted to loiter, in or about any room~~  
18 ~~wherein any gambling game is operated or conducted.~~

19 ~~(3)~~

20 (2) Be employed as an employee in a licensed gambling  
21 establishment except in a parking lot, coffee shop, restaurant,  
22 business office, or other similar room, as determined by regulations,  
23 wherein no gambling activity or activity directly associated with  
24 gambling takes place.

25 ~~(4)~~

26 (3) Present or offer to any licensee, or to an agent of a licensee,  
27 any written, printed, or photostatic evidence of age and identity  
28 that is false, fraudulent, or not actually his or her own for the  
29 purpose of doing any of the things described in paragraphs (1) to  
30 ~~(3), inclusive and (2).~~

31 ~~(4) Loiter in or about any room in which any gambling game~~  
32 ~~is operated or conducted.~~

33 (b) Any licensee or employee in a gambling establishment who  
34 violates or permits the violation of this section, and any person  
35 ~~under 21 years of age who violates this section, paragraphs (1) to~~  
36 ~~(3), inclusive, of subdivision (a) is guilty of a misdemeanor.~~

37 ~~(c) Any person under 21 years of age who violates this section~~  
38 ~~is guilty of a misdemeanor.~~

39 ~~(e)~~

(d) Proof that a licensee, or agent or employee of a licensee, demanded, was shown, and acted in reliance upon bona fide evidence of age and identity shall be a defense to any criminal prosecution under this section or to any proceeding for the suspension or revocation of any license or work permit based thereon. For the purposes of this section, “bona fide evidence of age and identity” means a document issued by a federal, state, county, or municipal government, or subdivision or agency thereof, including, but not limited to, a motor vehicle operator’s license or an identification card issued to a member of the armed forces, that contains the name, date of birth, description, and picture of the person.

SEC. 20. Section 19966 is added to the Business and Professions Code, to read:

19966. If a gambling establishment is located in an unincorporated area annexed by a city, notwithstanding Section 19960 or 19962, without a local election other than the election to approve the annexation, the city acquiring jurisdiction may adopt an ordinance permitting and regulating controlled gaming in the existing gambling establishment, providing hours of operation, the games to be played, wagering limits, the maximum number of gambling establishments, and the maximum number of tables permitted in each gambling establishment, the same as those limits in any ordinance or resolutions that formerly applied to the gambling establishment. Where this article refers to an expansion of gaming as compared to that permitted on January 1, 1996, for the purposes of this section, it shall be to the ordinance or resolutions that governed the gambling establishment as of that date.

SEC. 21. Section 19984 of the Business and Professions Code is amended to read:

19984. Notwithstanding any other ~~provision of~~ law, a licensed gambling ~~establishment~~ *enterprise* may contract with a third party for the purpose of providing proposition player services *at a gambling establishment*, subject to the following conditions:

(a) Any agreement, contract, or arrangement between a gambling ~~establishment~~ *enterprise* and a third-party provider of proposition player services shall be approved in advance by the department, and in no event shall a gambling ~~establishment~~ *enterprise* or the

1 house have any interest, whether direct or indirect, in funds  
2 wagered, lost, or won.

3 (b) The commission shall establish reasonable criteria for, and  
4 require the licensure and registration of, any person or entity that  
5 provides proposition player services to ~~at~~ gambling establishments  
6 pursuant to this section, including owners, supervisors, and players.  
7 Those employed by a third-party provider of proposition player  
8 services, including owners, supervisors, observers, and players,  
9 shall wear a badge which clearly identifies them as proposition  
10 players whenever they are present within a gambling establishment.  
11 The commission may impose licensing requirements, disclosures,  
12 approvals, conditions, or limitations as it deems necessary to  
13 protect the integrity of controlled gambling in this state, and may  
14 assess and collect reasonable fees and deposits as necessary to  
15 defray the costs of providing this regulation and oversight.

16 (c) The department, pursuant to regulations of the commission,  
17 is empowered to perform background checks, financial audits, and  
18 other investigatory services as needed to assist the commission in  
19 regulating third party providers of proposition player services, and  
20 may assess and collect reasonable fees and deposits as necessary  
21 to defray the costs of providing this regulation and oversight. The  
22 department may adopt emergency regulations in order to implement  
23 this subdivision.

24 (d) No agreement or contract between a licensed gambling  
25 establishment ~~enterprise~~ and a third party concerning the provision  
26 of proposition player services shall be invalidated or prohibited  
27 by the department pursuant to this section until the commission  
28 establishes criteria for, and makes determinations regarding the  
29 licensure or registration of, the provision of these services pursuant  
30 to subdivision (b).

31 SEC. 22. No reimbursement is required by this act pursuant to  
32 Section 6 of Article XIII B of the California Constitution because  
33 the only costs that may be incurred by a local agency or school  
34 district will be incurred because this act creates a new crime or  
35 infraction, eliminates a crime or infraction, or changes the penalty  
36 for a crime or infraction, within the meaning of Section 17556 of  
37 the Government Code, or changes the definition of a crime within

- 1 the meaning of Section 6 of Article XIII B of the California
- 2 Constitution.

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